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SUBJECT: GOM DENIES RUMORS OF FUTURE ELECTRICITY SHORTAGES

Sensitive but unclassified -- protect accordingly.

¶1. (SBU) Summary. Ministry of Energy (MOE) officials deny recent press allegations, appearing in the "L'Economiste" newspaper and attributed to National Electricity Office (ONE) sources, that Morocco will face a shortage of electricity starting in 2008. They concede that demand for electricity in Morocco is rising rapidly, up an average of eight percent annually since 2002, a rate they expect to continue as a result of rapid infrastructure development, rural electrification programs and strong economic growth. They insist, however, that sufficient generating capacity will come on line in the next few years to meet the increase in demand, and that in any case Morocco can also import electricity from either Spain or Algeria at attractive rates. Ministry sources attribute the "L'Economiste" article, in which anonymous ONE sources blamed the government for failing to plan to build sufficient new plants, to the new Director at ONE who feels he inherited a bad situation at the electric utility. End summary.

¶2. (U) The business daily L'Economiste recently alleged that an electricity crisis looms on the horizon for Morocco and could result in power shortages by 2008. The report cited anonymous officials in ONE as its source. Other papers subsequently picked up the story, and pointed to ONE's failure to issue an official denial as implicit confirmation of its accuracy. Questions were subsequently directed to the government, with papers reporting that Prime Minister Jettou had convoked Minister of Energy Boutaleb and ordered him to review the situation.

¶3. (SBU) In a meeting we sought to pursue the issue, the MOE's Director for Electricity and Renewable Energy, Abderrahim El Hafidi, told Econoff that the press reports were exaggerated. He argued that the GOM had the situation well in hand and that while electricity demand could climb close to the limit of supply in 2008, it would not exceed it. He suggested that the new Director of ONE had leaked the story in an effort to show that he had inherited a bad situation at the electric utility, so that if problems occurred in future he would not be held responsible. He confirmed that the Prime Minister had convoked the Minister of Energy to explain the situation and the Minister in turn called El Hafidi for the details. El Hafidi said both ministers were now comfortable with the country's electrical output situation, notwithstanding ONE's apparent decision last month to cancel a planned coal-burning generating station at Cap Ghir in Southern Morocco, which would have come on line in 2011 and provided 1,320 MW of power. (Note: The plant had generated strong opposition from regional lawmakers out of concern about its environmental impact, particularly given planned tourist developments nearby. End Note.)

14. (SBU) El Hafidi indicated that Morocco's electrical consumption has increased eight percent per year since 2002 and should rise 8.1 percent in 2007 to 23,975 GWh, an increase of 47.8 percent since 2002. Still, he said the country has excess capacity in the form of a 50 MW diesel turbine and several fuel oil powered turbines totaling 615 MW. He added that since fuel oil is expensive, it was usually more practical for ONE to import electricity from Spain via the countries' interconnected electrical grids -- developed to help avoid potential energy shortages. If peak electrical use requires more power than Spain, or Algeria, Morocco's other interconnected electrical grid partner, can supply, the fuel oil burning turbines can be activated. El Hafidi said he had recently met with Spanish officials who confirmed that Spain had abundant capacity to export electricity to Morocco.

15. (SBU) Currently, Morocco's produces 59 percent of its electricity from coal, 12 percent from fuel oil, 11.5 percent from natural gas, 5.5 percent from renewable energy (mostly hydraulic), and 3 percent from pumping stations. Nine percent is imported from Spain. The GOM foresees spending over \$1.1 billion per year over the next five years on new electricity generating plants, and will need to increase capacity by 400 MW per year just to keep up with demand. In the next few years, the GOM expects to put into service the following power plants:

- 2007 - 60 MW wind plant in Essaouira,
- 2008 - 100 MW gas turbine in Tan Tan,
- 2009 - 140 MW wind plant in Tangier
- upgrading the current 230 MW gas turbine to 450 MW in Ain Beni Mathar
- 300 MW gas/fuel oil turbine in Mohammedia

In addition, the GOM plans to replicate an existing 1,320 MW coal burning plant located in El Jadida that currently produces 50 percent of the country's electricity. The new plant was originally planned for Cap Ghir, but we recently confirmed press reports that ONE has now abandoned that plan.

It will seek a new location and may also seek to co-locate the facility with the existing plant in El Jadida.

16. (SBU) The GOM has also liberalized laws for private companies that produce electricity. The new rules raise the ceiling level of production for producers from 10 MW to 50 MW. Several oil exploration companies in Morocco report the strong possibility of making natural gas finds that might be too small to be commercially viable, but could instead be used to power small gas powered turbines for producing electricity that ONE would buy and transmit. The MOE and ONE have energy conservation programs (septel) that could have an immediate impact on the demand for electricity. For the long-term, the GOM is considering nuclear power as an alternative source of energy. ONE has invited non-binding offers from several foreign companies, including Westinghouse.

17. (SBU) Comment. Morocco's non-farm GDP growth has been strong for several years as has the level of new foreign investment into industry. The GOM is actively promoting the expansion of the country's tourism sector, infrastructure, as well as conducting ambitious rural electrification programs. The rate of rural household electrification has increased from 55 percent in 2002 to 88 percent in 2006. Combined, these factors have led to rapid growth in the demand for electricity that is likely to continue for several years. Post will continue to monitor this situation and the apparently rocky relationship between the MOE and ONE. End Comment.

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